

Message Text

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PAGE 01 CARACA 02042 022127Z

ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 XMB-02 OPIC-03 SIL-01 /108 W
-----093241 030710Z /14

R 022007Z MAR 78

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 1402

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E.O. 11652: GDS

TAGS: ETRD,VE

SUBJECT: GOV HAS TAKEN DECISION TO LIMIT IMPORTS

1. SUMMARY: ACCORDING TO RELIABLE GOVERNMENT SOURCE,
GOV HAS DEFINITELY DECIDED TO TAKE STEPS TO REDUCE
IMPORTS INTO COUNTRY. OPTIONS NOW UNDER STUDY; DECISION ON MEASURES
TO BE ADOPTED WILL BE TAKEN WITHIN NEXT
TWO OR THREE MONTHS. IMPACT OF MEASURES WILL BE GLOBAL
RATHER THAN DIRECTED AT ANY ONE COUNTRY. END SUMMARY.

2. AS THE DEPARTMENT IS AWARE, THE GOVERNMENT OF
VENEZUELA HAS BECOME INCREASINGLY CONCERNED DURING THE
PAST YEAR ABOUT THE RISING TIDE OF IMPORTS OF ALL TYPES
OF GOODS AND SERVICES (CARACAS 437). VARIOUS GOV OFFICIALS, INCLUDING
THE PRESIDENT, THE MINISTER OF FINANCE, THE PRESIDENT OF THE CENTRAL
BANK AND THE PRESIDENT OF THE VENEZUELAN FOREIGN TRADE INSTITUTE
(ICE) HAVE PUBLICLY DISCUSSED THE IMPORTS AND BALANCE
OF PAYMENTS PROBLEMS DURING THE LAST SEVERAL MONTHS AND HAVE
EXPRESSED A NEED TO DO SOMETHING TO RECTIFY THE SITUATION.

3. INFORMED SOURCES AT THE ICE ADVISED AN EMBASSY OFFICER MARCH 2
THAT THE GOV HAS MADE THE DECISION IN
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PAGE 02 CARACA 02042 022127Z

PRINCIPLE TO RESTRICT IMPORTS. A SPECIAL
COMMITTEE, INCLUDING BANCO CENTRAL, ICE, MINISTRY
OF FINANCE AND OTHER GOV AGENCY REPRESENTATIVES,
HAS BEEN ESTABLISHED TO STUDY AND RECOMMEND WAYS TO
ACHIEVE THIS GOAL. WHILE NO TIMETABLE FOR IMPLEMENTATION
OF THIS DECISION HAS BEEN MADE, WE ARE TOLD THAT THE MATTER IS
CONSIDERED AN URGENT ONE, AND THAT OUR SOURCE EXPECTED

IMPLEMENTATION TO BEGIN WITHIN TWO OR THREE MONTHS.

4. ICE IS NOW IN PROCESS OF COLLECTING IMPORT DATA AND ANALYZING TRENDS AND PATTERNS OVER PAST TWO OR THREE YEARS. WE ARE ASSURED THAT ANY MEASURES APPLIED WILL BE GLOBAL IN NATURE AND NOT DIRECTED AT ANY SINGLE COUNTRY OR GROUP OF COUNTRIES.

5. ACCORDING TO ICE SOURCE, FOLLOWING MEASURES NOW BEING CONSIDERED:

-ABSOLUTE PROHIBITION ON IMPORTS OF EXPENSIVE LUXURY GOODS WHEN CHEAPER BUT STILL SERVICEABLE SUBSTITUTES ARE AVAILABLE EITHER DOMESTICALLY OR FROM ABROAD.

-A REQUIREMENT THAT IMPORTERS OF CONSUMER GOODS BE GRANTED IMPORT LICENSE ONLY WHEN THEY CAN ESTABLISH TO THE SATISFACTION OF THE AUTHORITIES THAT EQUIVALENT GOODS ARE NOT AVAILABLE FROM DOMESTIC SOURCES.

-CREATION OF SPECIAL MACHINERY TO VET PUBLIC AND PRIVATE SECTOR IMPORTS OF CAPITAL GOODS TO INSURE THAT A) THE IMPORTED GOODS ARE NECESSARY AND APPROPRIATE, AND B) THERE ARE NOT CHEAPER AND PERHAPS LESS SOPHISTICATED SUBSTITUTES AVAILABLE WHICH COULD DO THE JOB.

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PAGE 03 CARACA 02042 022127Z

-SOME ADDITIONAL MEASURES TO RESTRICT CREDIT AND LIMIT MONEY SUPPLY GROWTH WHICH WOULD REDUCE PRIVATE CONSUMPTION DEMAND AND THEREFORE DEMAND FOR IMPORTS.

-ADDITIONAL GOVERNMENT MOVES TO STIMULATE PRIVATE SECTOR PRODUCTION IN THIS COUNTRY, INCLUDING (POSSIBLY) A MORE RELAXED POLICY REGARDING FOREIGN INVESTMENT, GOVERNMENT SUBSIDIES TO HELP NEW PRODUCERS GET ESTABLISHED AND MOVES TO RATIONALIZE PRICES THUS PROVIDING A GREATER RETURN TO INVESTORS.

-RESTRICTIONS ON USE OF FREE IMPORT PROCEDURES TO OVERCOME SPORADIC SHORTAGES OF CONSUMER GOODS. GOV CURRENTLY PERMITTING FREE IMPORT OF CERTAIN KINDS OF TIRES AND BATTERIES; LAST YEAR A NUMBER OF BASIC FOOD COMMODITIES WERE PERMITTED TO ENTER VENEZUELA DUTY FREE. ICE FEELS THIS POLICY ACTS AS DISINCENTIVE TO LOCAL PRODUCTION.

6. WHEN QUERIED AS TO WHICH OF ABOVE OPTIONS WOULD BE SELECTED, ICE SOURCE REPLIED THAT GOV WOULD PROBABLY DEVELOP PACKAGE INCLUDING ELEMENTS OF ALL OF ABOVE. IN CLOSING HE EMPHASIZED THAT NO FINAL DECISIONS ON MEASURES TO CONTROL IMPORTS HAD BEEN TAKEN AND THAT FINAL MEASURES COULD BE EXPECTED TO AFFECT ALL SUPPLIER COUNTRIES EQUALLY.

CROWLEY

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